

Fairfax County Economic Index

Volume I, Number 5

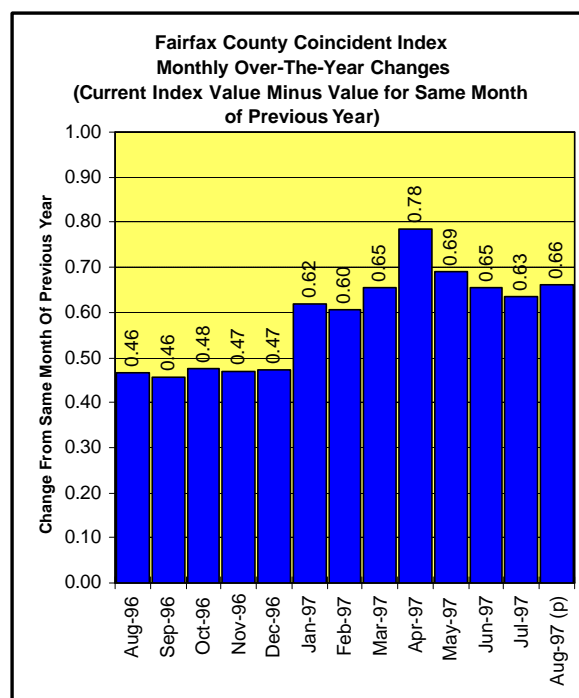
OCTOBER 1997

Economy Strong In August But Indicators Pointing to Slower Growth in 1998

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, gained 0.10 percent in August with all four components contributing to its gain. This is the first time since April that all four components of the Index were positive and only the second time in the last 12 months. For 1997, the Coincident Index has increased in seven of eight months for an overall increase of 0.51 percentage points. For the last 12 months, the Index has gained 0.74 points or 0.65 percent.

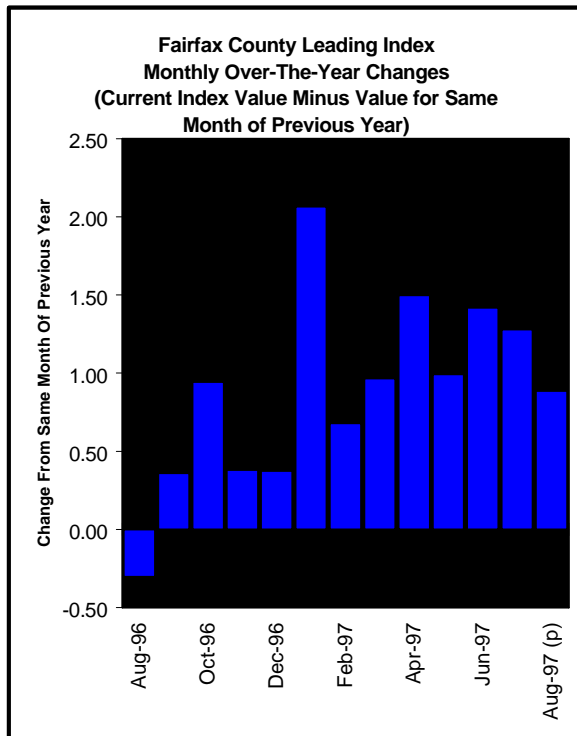
- Total employment increased for a second month in a row in August and for the tenth time in the past 12 months;
- Transient Occupancy Tax collections were up, gaining for the third consecutive month;
- Sales tax receipts gained for a second month; and
- Consumer confidence increased sharply after dropping in July.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased for a second consecutive month, losing



Source: GMU Center for Regional Analysis.

0.34 percent. Year-to-date, through eight months, the Leading Index is up 0.63 percentage points and, for the past 12 months, it has gained 0.89 points or 0.86 percent. Over this period, it has been up in six months and down in six. In August, three of the Index's five components contributed to its decline.



Source: GMU Center for Regional Analysis.

- New automobile registrations declined in August after gaining for two months;
- Initial claims for unemployment insurance increased (worsened) for a second month in a row, although the gain in August was influenced by the UPS strike; and
- The mean value of residential building permits declined sharply for a second month; while
- Residential building permits registered their largest one-month increase of the year; and
- Consumer expectations (consumer confidence six months hence) increased following two down months.

CURRENT CONDITIONS

The August performance of Fairfax County's economy was the best since April with gains occurring broadly across all components of the Coincident Index. The strength of the economy over

the past year is seen in its consistently achieving better performance than the same months in 1996. This year, monthly over-the-year gains are averaging 0.66 percent compared to last year, when they averaged 0.47 percent.

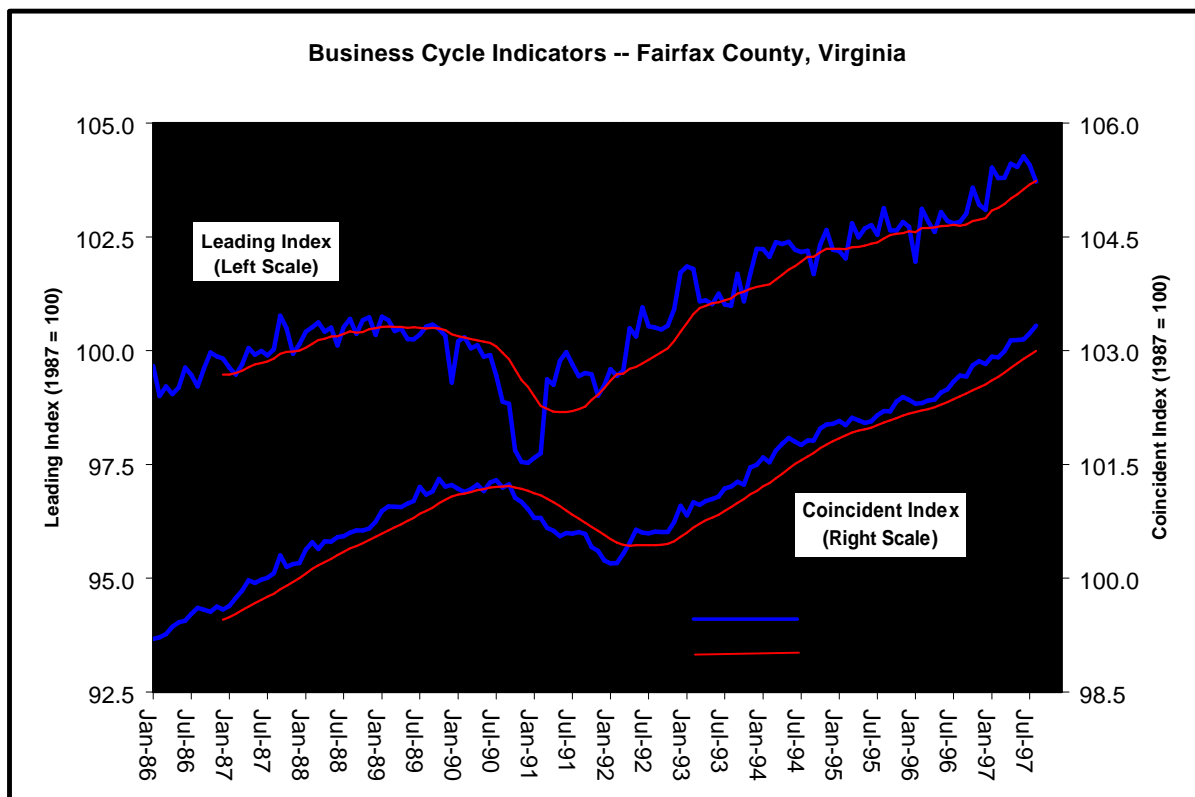
The economy's achievements so far this year are demonstrated by strong gains in employment and consumer spending. Job growth in the County continues to exceed 4 percent, almost double the national job growth rate. For the 12 months ending in August, the County added an estimated 17,634 new jobs. This job growth has contributed to increasingly tighter labor market conditions in the County with unemployment declining to 2.45 percent from 2.84 percent in August 1996. Initial claims for unemployment insurance have also trended lower over the year. In July, they were down 20 percent from 12 months earlier. However, due to the UPS strike in August, initial claims were up substantially for this one month. This short-term increase has not materially affected the health of the labor market.

Consumers continue to be upbeat about their economic conditions. The Consumer Confidence Index for the region, which had drifted down slightly in July, rebounded in August, and for the past 12 months, has gained 12.7 percent. In August, it stood at its post-recession peak level. This high level of confidence has translated into continued consumer spending for retail goods and services. In August, Fairfax County's retail sales were up 1.2 percent from July. On a seasonally adjusted basis for the last 12 months, they are up 9.4 percent.

Since January 1996, the Coincident Index has been slowly accelerating, thereby moving even higher above its 12-month moving average. This sustained growth period compares favorably with the early stages of the expansion immediately following the recession in 1993 and 1994. Being able to support this magnitude of growth this far into the business cycle highlights the strong fundamentals that are presently shaping the County's economy.

We are on the web at:

www.co.fairfax.va.us/comm/economic/economic.htm



Source: GMU Center for Regional Analysis.

NEAR-TERM OUTLOOK

The Leading Index has moderated for two months following a positive trend that gained strength at the beginning of the year. While it is too early to tell if this two-month decline will continue, it does suggest that the growth forces currently propelling the County's economy may lose some of their drive next year. Some moderation in the current growth rate should not be viewed as bad news. In fact, a slower growth path in the County is more sustainable over the long run and will have less inflationary impact.

Several indicators are pointing to this deceleration in the economy's upward path. Consumer expectations, while up in August, are still below their post-recession peak value. This pattern reflects some increased concern in the sustainability of the economy's strong performance. This uncertainty is being fueled by the volatility of the stock market and by monthly reports on the national economy that indicate it is not slowing down to the level that would forestall intervention by the Federal Reserve

Board. As a result, there is growing concern that the Board may raise its Federal Funds Rate at its November meeting.

With consumers less confident about the long-term health of the economy, their consumption of "big ticket" items normally lags. Automobile sales in Fairfax County dropped 20.6 percent in August on a seasonally adjusted basis, but remain up 8.9 percent from a year ago. Residential building permits have lagged over the year, although they have come back strong in the past two months. Still, the mean value of these permits has declined in recent months.

The 1998 forecast for the County's economy projects a 4.06 percent increase in its Gross County Product, a slight decrease from this year's projected 4.23 percent gain. This slight slowing of the economy is consistent with the recent trend in the Leading Index. Still, this rate of growth will substantially exceed the 3.18 percent increase projected for Northern Virginia in 1998 and the 2.08 percent gain projected for the entire Washington metropolitan area.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Aug-97 Prelim.	Jul-97 Final	Aug-96 Final	Jul-97 to Aug-97	Aug-96 to Aug-97
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.33	103.23	102.67	0.10	0.65
Leading Index (1987 = 100)	103.72	104.07	102.83	-0.34	0.86
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	451,506	450,202	433,869	0.29	4.06
<i>Total Covered Employment (Unadjusted)</i>	<i>451,438</i>	<i>452,552</i>	<i>433,804</i>	<i>-0.25</i>	<i>4.06</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	300.4	289.3	242.6	3.83	23.84
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>444.6</i>	<i>408.5</i>	<i>368.6</i>	<i>8.84</i>	<i>20.63</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,798.6	6,718.8	6,214.6	1.19	9.40
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,044.0</i>	<i>8,090.9</i>	<i>7,382.4</i>	<i>-0.58</i>	<i>8.96</i>
South Atlantic Consumer Confidence	169.9	159.5	150.8	6.52	12.67
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,646	5,853	4,266	-20.62	8.89
<i>Automobile Registrations (Unadjusted)</i>	<i>5,252</i>	<i>6,654</i>	<i>4,823</i>	<i>-21.07</i>	<i>8.89</i>
Initial Unemployment Claims (Seasonally Adjusted)	984	842	890	16.95	10.60
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>908</i>	<i>842</i>	<i>821</i>	<i>7.84</i>	<i>10.60</i>
South Atlantic Consumer Expectations	114.1	109.7	105.8	4.01	7.84
Residential Building Permits (Number of Units, Seasonally Adjusted)	917	508	952	80.37	-3.73
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>1,031</i>	<i>534</i>	<i>1,071</i>	<i>93.07</i>	<i>-3.73</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	49,205	65,248	37,847	-24.59	30.01
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>67,098</i>	<i>88,034</i>	<i>50,958</i>	<i>-23.78</i>	<i>31.67</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	531,656	533,577	502,187	-0.36	5.87
<i>Total Labor Force (Unadjusted)</i>	<i>538,988</i>	<i>545,988</i>	<i>509,112</i>	<i>-1.28</i>	<i>5.87</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.39	2.30	2.77	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.45</i>	<i>2.30</i>	<i>2.84</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Inquiries should be directed to:

The Fairfax County
Office of Management and Budget
12000 Government Center Parkway
Suite 561
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)